

Message Text

CONFIDENTIAL

PAGE 01 TOKYO 10659 150910Z

12

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C O N F I D E N T I A L TOKYO 10659

E. O. 11652: GDS

TAGS: ENRG, EEWT, JA, SU

SUBJ: YAKUTSK NATURAL GAS

SUMMARY: THE SOVIET UNION IS PRESSING THE GOJ TO EXCHANGE MEMORANDA OF UNDERSTANDING CONCERNING GOVERNMENTAL RESPONSIBILITIES TOWARDS THE YAKUTSK NATURAL GAS EXPLORATION PROJECT. THE GOJ INTENDS TO ACQUIESCE TO THE SOVIET REQUEST, BUT IN VIEW OF THE TRILATERAL NATURE OF THE PROJECT, STRONGLY URGES THE USG TO PARTICIPATE IN A SIMILAR WRITTEN EXPRESSION OF COMMITMENT TO COOPERATIVE EFFORTS TO DEVELOP YAKUTSK GAS FIELDS. THE FORM WOULD BE LESS IMPORTANT THAN THE STATEMENT OF PRINCIPLE. IT COULD, FOR EXAMPLE, BE CONTAINED IN A BILATERAL EXCHANGE OF NOTES BETWEEN THE US AND THE USSR; OR THE GOJ COULD SIMPLY SEND THE USG A UNILATERAL MEMORANDUM OF UNDERSTANDING. END SUMMARY.

1. JAPAN AND THE SOVIET UNION HAVE EXCHANGED MEMORANDA OF UNDERSTANDING ON SIX OF SEVEN JOINT SIBERIAN RESOURCE DEVELOPMENT PROJECTS IN WHICH THEY (BEGIN UNDERLINE) INTER ALIA (END UNDERLINE) HAVE AGREED: A) TO FACILITATE WITHIN THE LIMITS OF THEIR RESPECTIVE LAWS
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 TOKYO 10659 150910Z

AND REGULATIONS THE IMPLEMENTATION OF NON-GOVERNMENTAL GENERAL AGRE-

EMENTS; AND B) TO CONSULT WITHOUT DELAY ON ANY DISPUTES OR MIS-
UNDERSTANDINGS RELATING TO THE PROJECTS. ACCORDING TO TAKEHIRO TOGO,
DIRECTOR OF THE FOREIGN MINISTRY'S FIRST EAST EUROPEAN DIVISION, THE
GOJ AGREED TO TAKE A DIRECT ROLE IN THE SIBERIAN DEVELOPMENT PRO-
JECTS BECAUSE OF THE HUGE AMOUNTS OF JAPAN EXIM BANK FINANCING IN-
VOLVED, AND FOR FEAR THAT JAPANESE PRIVATE INDUSTRY WOULD BE UNABLE
TO BARGAIN EFFECTIVELY WITH THE SOVIET GOVERNMENT. SO FAR, THE DE-
CISION APPEARS TO HAVE WORKED TO JAPAN'S ADVANTAGE. IN THE SOLE CASE
WHERE A DISPUTE HAS ARISEN -- OVER THE PRICE OF TIMBER IN THE FIRST
KS PAPER AND PULP PROJECT -- THE GOJ WAS ABLE TO BEAT BACK A SOVIET
ATTEMPT TO RENEGOTIATE THE PRICE TERMS OF THE AGREEMENT.

2. A FINAL NOTE CONFIRMING THAT ALL CONDITIONS CONTAINED IN THE GEN-
ERAL AGREEMENT ON THE YAKUTSK NATIONAL GAS PROJECT HAVE BEEN MET
IT SCHEDULED TO BE SIGNED NEXT WEEK IN TOKYO BY THE AMERICAN SIB-
ERIAN NATURAL GAS COMPANY, THE OCCIDENTAL LNG CORP., THE SIBERIAN
NATURAL GAS CO. (JAPAN), AND THE SOVIET MINISTRY OF FOREIGN TRADE.
(WE HAVE OBTAINED COPIES OF THE GENERAL AGREEMENT AND WILL POUCH TO
EA/J). THE SOVIETS ARE PRESSING THE GOJ HARD TO EXCHANGE GOVERNMEN-
TAL NOTES ON YAKUTSK SIMILAR TO THOSE EXCHANGED ON THE OTHER PRO-
JECTS. THE GOJ HAS BEEN DRAGGING ITS FEET BECAUSE IT STRONGLY PRE-
FERS THAT IN VIEW OF THE TRILATERAL AND STRATEGIC NATURE OF THE YAK-
UTSK GAS PROJECT, THE USG ALSO BE A PARTY TO THE GOVERNMENTAL ARAN-
GEMENT.

3. SPECIFICALLY TOGO HAS ASKED US TO SEEK THE DEPARTMENT'S ANSWERS
TO THE FOLLOWING QUESTIONS: A) HAS THE USG RECEIVED A REQUEST FROM
THE SOVIET UNION TO ENTER INTO A SIMILAR AGREEMENT ON YAKUTSK; B) IF
SO, CAN AND/OR WILL THE USG MAKE SUCH AN AGREEMENT; C) IF SO, WHAT
FORM WILL IT TAKE? ACTION REQUESTED: ANSWERS TO THE ABOVE QUESTIONS.

4. ALTHOUGH THE GOJ IS "VERY AWARE" THAT THE 1974 TRADE ACT MAY
MAKE IT DIFFICULT FOR THE USG TO TAKE A DIRECT ROLE IN THE YAKUTSK
PROJECT, THE FOREIGN OFFICE STRONGLY URGES THAT SOME FORMULA BE
FOUND BY WHICH THE USG CAN REAFFIRM ITS INTEREST IN COOPERATIVE
EFFORTS TO DEVELOP SIBERIAN RESOURCES. TOGO NOTED THAT PRESIDENT
NIXON EXPRESSED SUCH US INTEREST IN TALKS WITH PRIME MINISTER TAN-
AKA IN PARIS ON APRIL 7, 1974, AND THAT PRESIDENT FORD REAFFIRMED
THE US POSITION DURING HIS VISIT TO JAPAN IN NOVEMBER, 1974.

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 TOKYO 10659 150910Z

5. TOGO EMPHASIZED THAT THE SPECIFIC FORM OF THE US REAFFIRMATION
IS LESS IMPORTANT THAN THE EXPRESSION OF PRINCIPLE. HE SUGGESTED
THAT A TRILATERAL STATEMENT WOULD BE MOST DESIRABLE FROM THE GOJ
POINT OF VIEW; BUT IF THIS PROVED IMPOSSIBLE, AND IF THE USG COULD
NOT ENTER INTO A BILATERAL ARRANGEMENT WITH THE SOVIETS, THE GOJ
COULD PREPARE A MEMORANDUM SIMILAR TO THE ONE SENT TO PRESIDENT
NIXON ON MAY 14, 1974, BY THEN AMBASSADOR TO THE US TAKESHI YASU-
KAWA, PURSUANT TO THE NIXON-TANAKA TALKS AT PARIS. THAT MEMORANDUM

OUTLINED JAPAN'S EXPECTATIONS REGARDING US PARTICIPATION IN SIBERIAN NATURAL GAS EXPLORATION FROM THE POINT OF VIEW OF US-JAPAN COOPERATION AND AS A NEGOTIATING TACTIC WITH THE USSR.

6. COMMENT. THE GOJ REQUEST IS INDICATIVE OF THE NERVOUSNESS IT FEELS AT GOING IT ALONE WITH THE SOVIETS ON A PROJECT OF THE SIZE AND SENSITIVITY AS YAKUTSK. ALTHOUGH THE GENERAL AGREEMENT FORMALLY COMES INTO EFFECT NEXT WEEK, TOGO INDICATED THAT THE EXCHANGE OF GOVERNMENTAL NOTES ON YAKUTSK NEED NOT TAKE PLACE IMMEDIATELY. WE OF COURSE, CANNOT EVALUATE THE JAPANESE REQUEST IN TERMS OF US-USSR RELATIONS, BUT WE BELIEVE THAT IT IS IN THE US INTEREST TO SUPPORT OUR JAPANESE ALLIES IN THIS TRILATERAL PROJECT TO THE EXTENT POSSIBLE. ASSUMING THERE IS NO OBSTACLE IN PRINCIPLE OR POLICY TO ACCOMMODATING JAPAN IN THIS MATTER, IF A US-USSR ARRANGEMENT IS NOT IN THE CARDS, WE URGE THAT THE EMBASSY BE AUTHORIZED TO EXPLORE WITH THE FOREIGN OFFICE LANGUAGE FOR EITHER AN EXCHANGE OF LETTERS BETWEEN THE AMBASSADOR AND THE FOREIGN MINISTER OR A UNILATERAL MEMORANDUM OF UNDERSTANDING FROM THE GOJ.

7. THERE FOLLOWS FYI THE TEXT OF THE PROPOSED MEMORANDUM FROM THE SOVIETS ON YAKUTSK.

QUOTE EXCELLENCY,

I AM PLEASED TO INFORM YOU THAT THE SOVIET SIDE EXPRESSED SATISFACTION THAT A GENERAL AGREEMENT ON COOPERATION RELATING TO THE CARRYING OUT OF EXPLORATION WORK IN THE YAKUTIA GAS FIELDS (HEREINAFTER REFERRED TO AS "THE GENERAL AGREEMENT") WAS SIGNED IN PARIS ON DECEMBER 11, 1974 AND THAT A SUPPLEMENT TO THE GENERAL AGREEMENT, BEING AN INTEGRAL PART OF THE ABOVE AGREEMENT, WAS SIGNED IN PARIS ON MARCH 31, 1976, BY THE MINISTRY OF FOREIGN TRADE, MOSCOW, U.S.S.R., ON THE FIRST PART; THE "AMERICAN NATURAL GAS COMPANY", A CORPORATION OF THE STATE OF DELAWARE, U.S.A., AND "OCCIDENTAL LNG CORPORATION", A CORPORATION OF THE STATE OF CALIFORNIA, U.S.A., ON THE SECOND PART; AND THE "SIBERIAN NATURAL GAS CO., LTD., TOKYO, CONFIDENTIAL

CONFIDENTIAL

PAGE 04 TOKYO 10659 150910Z

JAPAN, ON THE THIRD PART.

NOTING THE SIGNIFICANCE OF THE GENERAL AGREEMENT FOR THE DEVELOPMENT OF TRADE AND ECONOMIC RELATIONS BETWEEN OUR TWO COUNTRIES, I HAVE THE HONOUR TO CONFIRM, IN THE NAME OF THE GOVERNMENT OF THE UNION OF SOVIET SOCIALIST REPUBLICS, THE FOLLOWING UNDERSTANDINGS:

1. BOTH GOVERNMENTS, WITHIN THE LIMITS OF THEIR RESPECTIVE LAWS AND REGULATIONS, WILL FACILITATE THE IMPLEMENTATION OF THE GENERAL AGREEMENT IN RELATION TO THE CARRYING OUT OF EXPLORATION WORK AND CONTRACTS TO BE CONCLUDED UNDER THE GENERAL AGREEMENT, ON A PART OF OBLIGATIONS RELATING TO THE U.S.S.R. AND JAPAN RESPECTIVELY;
2. THE DELIVERY OF COMMODITIES IN FULFILMENT OF OBLIGATIONS CONCERNING THE SOVIET AND JAPANESE SIDES WILL BE CONDUCTED IN ACCORDANCE WITH PROVISIONS OF THE AGREEMENT ON TRADE AND PAYMENT BETWEEN THE U.S.S.R. AND JAPAN VALID FOR THE CORRESPONDING PERIOD;
3. BOTH GOVERNMENTS WILL REGARD THE ABOVE-MENTIONED DELIVERY OF

COMMODITIES AS A FACTOR CONTRIBUTING TO THE EXPANSION OF TRADE BETWEEN OUR TWO COUNTRIES;

4. BOTH GOVERNMENTS WILL CONSULT WITH EACH OTHER, WITHOUT DELAY, ON ANY MATTERS WHICH MAY ARISE FROM THE GENERAL AGREEMENT, ANY PRESENT UNDERSTANDINGS OR IN CONNECTION WITH THEM.

EXCELLENCY, PLEASE ACCEPT MY HIGHEST CONSIDERTION. UNQUOTE.

HODGSON

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